

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 L-02 H-01

PA-01 PRS-01 USIA-06 CIAE-00 COME-00 FRB-01 INR-05

NSAE-00 XMB-02 OPIC-03 LAB-01 SIL-01 /076 W

----- 061160

R 211856Z NOV 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5927

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

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USMISSION OECD PARIS

AMCONSUL BELFAST

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AMCONSUL LIVERPOOL

LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 15296

E.O. 11652: N/A

TAGS: ELAB, UK, PINT

SUBJECT: TUC AND CBI DO LITTLE TO REINFORCE SOCIAL
CONTRACT

1. BEGIN SUMMARY: DURING THEIR SEPARATE MEETINGS IN
COUNCIL YESTERDAY (NOVEMBER 20), NEITHER THE BRITISH TUC
NOR THE CBI PROVIDED THE KIND OF ADVICE TO THEIR AFFILI-
ATES ABOUT ON-GOING WAGE NEGOTIATIONS WHICH THE GOVERN-
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MENT WOULD HAVE DESIRED. WHILE THE TUC REAFFIRMED ITS

GUIDELINES, THIS FELL SHORT OF THE "TIGHTENING" OF THEM WHICH HAD BEEN EXPECTED EARLIER. FOR ITS PART, THE CBI DECIDED NOT TO ESTABLISH WAGE GUIDELINES FOR ITS MEMBERS, PLEADING INABILITY TO DEAL WITH THE PROBLEM OF SUPRA-CONTRACT AGREEMENTS IF THE GOVERNMENT COULD NOT DO SO. HOWEVER, SHIRLEY WILLIAMS, SECRETARY OF STATE FOR PRICES AND CONSUMER AFFAIRS, ADDED ANOTHER WARNING FROM WHITE-HALL -- THAT IF INDIVIDUALS OR GROUPS DID NOT HEW TO THE CONTRACT, UNEMPLOYMENT WOULD FOLLOW. END SUMMARY

2. THE TUC GENERAL COUNCIL AT ITS MEETING YESTERDAY ISSUED A REPORT (BEING POUCHED) WHICH PRAISED THE GOVERNMENT FOR ITS SPEEDY ACTION IN DELIVERING ON ITS VARIOUS ELECTORAL PROMISES IN THE SOCIAL AND ECONOMIC FIELD THUS FAR AND FOR ITS LEGISLATIVE PROGRAM DURING THE COURSE OF THIS PARLIAMENT. IN TERMS OF THE SOCIAL CONTRACT, IT LARGELY LIMITED ITSELF TO REAFFIRMING IT, RATHER THAN "TIGHTENING" IT. THE DOCUMENT REMINDED TUC AFFILIATES OF THE NEED TO OBEY THE SOCIAL CONTRACT'S GUIDELINES, BUT APART FROM RESTATING SOME OF THEM, SUCH AS THE REQUIREMENT TO LIMIT AGREEMENTS TO TWELVE MONTH INTERVALS, IT REFRAINED FROM DEMONSTRATING ANY MUSCLE IN ENFORCING THE GUIDELINES.

3. THE CBI, ALSO MEETING IN COUNCIL YESTERDAY, WAS EVEN LESS DECISIVE. ITS MEMBERS REFUSED TO ALLOW ANY WAGE GUIDELINES AT ALL, AND ITS PRESIDENT RALPH BATEMAN, PUT THE "BLAME ON MAME" STATING THAT "IF THE GOVERNMENT CAN'T FIND THE WAY, IT IS NOT VERY LIKELY THAT THE CBI BY ITSELF COULD FIND THE WAY." HE CHARGED THAT THE TUC HAD MERELY TO DEMAND SOMETHING FROM THE GOVERNMENT AND IT WOULD BE GIVEN TO THEM -- A POLICY HE ADDED WHICH ENCOURAGED EXTREMISTS IN THE UNIONS.

4. THUS NEITHER SIDE OF INDUSTRY IS PREPARED TO FORTIFY THE SYSTEM WHICH IS DESIGNED TO KEEP INFLATION IN CHECK. ON THE UNION SIDE, IT IS BELIEVED THAT A NUMBER OF UNION LEADERS, INCLUDING JACK JONES, ARE AVERSE TO SPELLING OUT THE CONTRACT IN GREATER DETAIL FOR FEAR THAT IT WOULD BECOME TOO INFLEXIBLE AND IN EFFECT IMPOSE A STRAIT-LIMITED OFFICIAL USE

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5928

INFO AMEMBASSY BONN

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JACKET ON COLLECTIVE BARGAINING IN INDUSTRY, WHICH
ABOUNDS IN ANOMALIES, COMPLEXITIES AND OTHER SPECIAL
SITUATIONS WHICH DO NOT LEND THEMSELVES TO OVER PRECISE
FORMULAE. SOME OF THESE SAME CONSIDERATIONS MAY EXIST
FOR INDUSTRY, TOGETHER WITH THE CONCERN OF A NUMBER OF
INDUSTRIALISTS -- AS BATEMAN SUGGESTS -- THAT IT IS UP
TO GOVERNMENT TO POLICE THE POLICY WHICH IT SET UP AFTER
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ALL IN CONJUNCTION NOT WITH INDUSTRY BUT WITH THE
UNIONS.

5. MEANWHILE THE GOVERNMENT IS BUILDING UP ITS EARLY
WARNING SYSTEM ABOUT THE CONSEQUENCES OF VIOLATING THE
CONTRACT. THE LATEST OF THESE CAME FROM SHIRLEY WILLIAMS
- WHO ON NATION-WIDE TELEVISION LAST NIGHT SAID THE
SOCIAL CONTRACT WAS A "GAMBLE ON DEMOCRACY" AND THAT IF
"POWERFUL INDIVIDUALS OR GROUPS TRY TO BREAK IT" ITS
FAILURE COULD LEAD TO THE "GRIM ALTERNATIVE" OF MASSIVE
UNEMPLOYMENT.

6. THE OVERALL PICTURE THUS HAS NOT IMPROVED. IT IS
TRUE THAT "THE FATHER OF THE SOCIAL CONTRACT," JACK JONES
(IN A CONVERSATION WITH SENATOR MCGOVERN TODAY) SAID
"IT IS WORKING" AND THAT IT "CAN'T BE PERFECT." BUT
THE STATISTICS BEING PUBLISHED BY THE GOVERNMENT PROVIDE
A MORE GLOOMY MATRIX: UK WAGE RATES PUBLISHED YESTERDAY
(REPORT BEING POUCHED) INDICATE THAT WAGE RATES IN THE
UK ROSE BY A RECORD 22.8 PERCENT IN OCTOBER. (THERE ARE
ALSO INDICATIONS THAT THE ACTUAL FIGURES MAY BE EVEN
HIGHER THAN THE STATISTICS.) AND JOHN ELLIOT, LABOR
EDITOR OF THE FINANCIAL TIMES, TOLD US THAT HE WOULD NOT
BE SURPRISED IF THE GOVERNMENT IMPOSED A WAGE FREEZE
SOMETIME BETWEEN DECEMBER AND APRIL.

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